

APPENDIX G

ILLUSTRATIVE MANAGEMENT REPRESENTATION LETTER FOR AGREED-UPON PROCEDURES ENGAGEMENT

AGREED-UPON PROCEDURES ENGAGEMENT:

An agreed-upon procedures engagement is one in which an auditor is engaged by an agency to issue a report of findings based on specific procedures performed on the subject matter of an assertion. An agency engages an auditor to assist the CDE in evaluating an assertion as a result of a need or needs of the CDE of the report. The CDE and auditor agree upon the procedures to be performed by the auditor that CDE believes to be appropriate. CDE neither requires that the auditor perform either an examination or a review nor provide an opinion or negative assurance about the assertion. Instead, the auditor's report on agreed-upon procedures is in the form of procedures and findings.

ASSERTIONS AND RELATED SUBJECT MATTER:

An assertion is any declaration , or set of related declarations taken as a whole, by a party responsible for it. The subject matter of an assertion is any attribute, or subset of attributes, referred to or contained in an assertion and may in and of itself constitute an assertion.

In an agree-upon procedures engagement, it is the specific subject matter of the assertion to which the agreed-upon procedures are to be applied that must satisfy the conditions set forth.

ATTESTATION STANDARDS:

The General, Fieldwork and Reporting standards for attestation engagements are followed by the auditor in performing and reporting on agreed-upon procedures engagements. Refer to Section 6000.03, Standards, AICPA's *Codification of Statements on Standards for Attestation Engagements*.

SUFFICIENCY OF AGREED-UPON PROCEDURES:

CDE's responsibility for the sufficiency of the agreed-upon procedures and its understanding and agreement of the procedures to be performed by the auditor is documented in the engagement letter.

PROCEDURES TO BE PERFORMED:

The auditor should obtain evidential matter from applying the agreed-upon procedures to provide a reasonable basis for the finding or findings expressed in the report, but should not perform additional procedures outside the scope of the engagement to gather additional evidential matter. Examples of appropriate procedures include:

- Execution of a sampling application after agreeing on relevant parameters.
- Inspection of specified documents evidencing certain types of transactions or detailed attributes.
- Confirmation of specific information with third parties.
- Comparison of documents, schedules, or analyses with certain specified attributes.
- Performance of specific procedures on work performed by others (including the work of internal auditors).
- Performance of mathematical computations.

Examples of inappropriate procedures include:

- Evaluating the competency or objectivity of another party.
- Mere reading of the work performed by others solely to describe their findings.
- Obtaining an understanding about a particular subject.
- Interpreting documents outside the scope of the auditor's professional expertise.

The auditor should not report on an engagement when CDE disagrees with the procedures performed or to be performed and does not take responsibility for the sufficiency of the procedures.

ILLUSTRATIVE MANAGEMENT REPRESENTATION LETTER:

The assertion is presented in writing in a representation letter or another written communication from the agency. Examples of written assertions include:

- A statement that the agency maintained effective internal controls over financial reporting based upon established criteria as of a certain date.
- A narrative description about the agency's compliance with requirements of specified laws, regulations, rules, contracts, or grants during a specified period.
- A schedule of statistical data prepared in accordance with the policies of the agency for a specified period.

**MANAGEMENT REPRESENTATION LETTER
FOR AGREED-UPON PROCEDURES ENGAGEMENT**

September XX, 2000

Bean, Bean and Counter, CPA's, Inc.
775 Anystreet
Smalltown, CA 9xxxx

Dear Executive Director:

In connection with your agreed-upon procedures engagement for the California Department of Education's (CDE's) Nutrition Services Division, related to our operation of the Child and Adult Care Food Program(CACFP)(CFDA No. 10.558) during the period of July 1, 1999 through June 30, 2000, we confirm to the best of our knowledge and belief, the following representations made to you during your performance of the agreed-upon procedures.

I. We are responsible for operating the CACFP in compliance with the following requirements:

A. Activities Allowed or Unallowed:

1. Meal claimed for reimbursement must:

- (a) be served to eligible children;
- (b) be supported by meal counting methods that generate accurate counts, and by records evidencing that such counts had been made; and
- (c) meet Federal nutritional requirements at 7 CFR 226.20

2. CACFP reimbursement payments applied to administrative costs must be in accordance with the management plan approved for this institution by the CDE. (7 CFR 226.6(f)(2))

3. The CACFP must be operated on a non-profit basis. All revenues generated by the program's operation must be used solely for the operation and improvement of the program. (7 CFR 226.15(e)(12))

B. Allowable Costs/Cost Principles:

All administrative and meal production costs charged to the institution's non-profit food service must conform to the Federal cost principles at 7 CFR 3015.193.

**MANAGEMENT REPRESENTATION LETTER
FOR AGREED-UPON PROCEDURES ENGAGEMENT**

Page 2

I. C. Eligibility:

1. Meals claimed for reimbursement may be served only to children as defined at 7 CFR 226.2.
2. Claims for meals served free or at reduced price must be supported by eligibility determinations made in accordance with regulations at 7 CFR 226.23.

D. Reporting:

All CACFP claims for reimbursement submitted to the CDE must be supported by records substantiating the accuracy of meal counts reported therein.

II. We have made available to you all:

- A. Financial record and related data pertaining to our operation of the CACFP during the period July 1, 1999 to June 30, 2000.
- B. Known matters contradicting our assertions of compliance with the requirements stated in I. Above, of which there are none.

III. To the best of our knowledge and belief, there have been no:

- A. Irregularities involving management, employees, or contractors who have significant roles in the administration of or performance under the CACFP.
- B. Communications from regulatory or oversight agencies concerning noncompliance with requirements of our agreement with the CDE for the operation of the CACFP.

IV. We have no undisclosed plans or intentions that may materially affect our operation of the CACFP under our agreement with the CDE.

XYZ Child Development, Inc.

Signature: _____

Title: _____

Date: _____

